

BUDGET SUPPLEMENT NO: 2

May 23, 2006

SUBJECT: Identify Sunnyvale – Promote Sunnyvale as a Destination for Shopping, Entertainment, Dining and Lodging

BUDGET SUPPLEMENT REQUEST SUMMARY

A budget supplement in the amount of \$35,000 is requested for the Economic Development Program for FY 2006/2007 for one year, funded by the General Fund. The funds will be placed in a new activity to encourage residents and businesses to patronize Sunnyvale companies for entertainment, shopping and lodging.

BACKGROUND

The request for the budget supplement was made by representatives of the Sunnyvale hotel and motel industry to highlight the city as a destination and increase revenues to local businesses. At the January 30, 2006 Fiscal Issues Workshop, the City Council reviewed the request for a project budget in the amount of \$65,000 to support one newspaper ad per month, one email communication per month and a contract with an advertising agency. City Council recommended a reduced project cost of \$35,000 and that the money be added to the Department of Community Development budget specifically in the Economic Development program for FY 2006/2007 for one year.

EXISTING POLICY

This budget issue is related to the Land Use and Transportation Element (LUTE) with one set of Goals, Policies and Action Statements. Specifically the following Goal, policies, and action statements:

- **GOAL C1:** preserve and enhance an attractive community, with a positive image and a sense of place that consists of distinctive neighborhoods, pockets of interest, and human-scale development.
 - Policy C1.2 Encourage nodes of interest and activity, such as parks, public open spaces, well planned development, mixed use projects, and other desirable uses, locations and physical attractions.
 - *Action Statement C1.2.1* Promote downtown as a unique place that is interesting and accessible to the whole City and the region.
 - Policy C4.1 Maintain a diversity of commercial enterprises and industrial uses to sustain and bolster the local economy.

- *Action Statement C4.1.2* Encourage businesses that provide a range of job opportunities.
- *Action Statement C4.1.3* Promote commercial uses that respond to the current and future retail service needs of the community.
- *Action Statement C4.1.4* Create a strong, identifiable central business district that provides regional and Citywide shopping opportunities.

DISCUSSION

A member of the hospitality industry and the Sunnyvale Chamber of Commerce's Chairman asked if some of the Transient Occupancy Tax (TOT) funds could be used to support Sunnyvale's hospitality industry.

Based on the provisions of Proposition 218, the City would not be able to allocate a portion of the TOT revenue to the hospitality industry without putting the issue up for a vote. If Council wants to allocate funding to support the hospitality industry, the funds would have to be taken from the General Fund 20-Year Resource Allocation Plan Reserve.

The City Manager has convened a group of Sunnyvale business and community representatives to discuss how to promote Sunnyvale both inside and outside the city to business travelers, residents and out of town visitors to encourage them to patronize Sunnyvale businesses at restaurant and entertainment venues and to stay in Sunnyvale hotels. This group is exploring what level of promotion is necessary and how to best leverage participation by both the private and public sectors. This group expects to formalize its recommendations by the end of fiscal year 2005/06.

SERVICE LEVEL IMPACT

The "Identify Sunnyvale" activity will add resources to encourage residents and businesses to patronize Sunnyvale companies for entertainment, shopping and lodging. As part of the ongoing Shop Sunnyvale activities, this is intended to increase revenues to those businesses, thereby increasing revenues to the City from Transient Occupancy Tax and Sales Tax. This will help to achieve the performance measure "New revenue generated from property tax, sales tax and TOT from companies assisted by Economic Development exceeds the Economic Development budget."

FISCAL IMPACT

Approval of the Budget Supplement for "Identify Sunnyvale" will increase the FY 2006/07 budget for Economic Development by \$35,000, funded by the General Fund 20-Year Resource Allocation Plan Reserve for one year. Staff will

review the financial impact of implementing the promotional activity after one year of operations. Staff will present the operational results to City Council as part of the FY 2007/08 Budget and request Council direction for future funding support.

CONCLUSION

This Budget Supplement will provide resources to conduct broader outreach within and outside of Sunnyvale to promote the community as a destination with the intent of increasing the volume of business at restaurant, entertainment and shopping venues and increasing occupancy at Sunnyvale hotels.

Prepared by:

Karen L. Davis
Economic Development Manager

Reviewed by:

Robert Paternoster
Director of Community Development

Reviewed by:

Mary J. Bradley
Director of Finance

City Manager's Recommendation

☐ Approve Budget Supplement for funding

☐ Do Not Approve Budget Supplement for funding

Amy Chan
City Manager

Attachments:

Attachment A – Budget Supplement Form

BUDGET SUPPLEMENT FORM

Fiscal Year 2006/2007

BUDGET SUPPLEMENT #2: IDENTIFY SUNNYVALE – PROMOTE SUNNYVALE AS A DESTINATION FOR SHOPPING, ENTERTAINMENT, DINING AND LODGING

FISCAL IMPACT :	\$35,000
-----------------	----------

TOTAL PROPOSED COSTS (Savings) :	\$35,000
TOTAL PROPOSED REVENUES :	\$0
NET IMPACT :	\$35,000

20-YEAR IMPACT :	\$35,000
------------------	----------

DESCRIPTION OF THE TYPE OF RESOURCES AND THE PURPOSE FOR WHICH THEY ARE BEING REQUESTED:

Additional funds to promote Sunnyvale as a destination for residents and visitors for shopping, restaurants, entertainment and overnight stays at local hotels and motels.

CURRENT		PROPOSED	
PROGRAM 247 – ECONOMIC DEVELOPMENT			
STATEMENT		STATEMENT	
Promote and maintain a strong and diverse local economy to provide jobs and services for our residents and tax revenue for the City to fund public services...		No Proposed Changes	
PROGRAM MEASURES			
MEASURE	TARGET	MEASURE	TARGET
New revenue generated from property tax, sales tax and TOT from companies assisted by Economic Development exceeds the Economic Development budget.		No Proposed Changes	
SERVICE DELIVERY PLAN 247-02			
DESCRIPTION OF SERVICE DELIVERY PLAN		DESCRIPTION OF SERVICE DELIVERY PLAN	
Provide an environment that encourages businesses to remain in Sunnyvale...		No Proposed Changes	

CURRENT				PROPOSED			
ACTIVITIES/PRODUCTS							
ACTIVITY #	DESCRIPTION	PRODUCT TYPE	PRODUCTS	ACTIVITY #	DESCRIPTION	PRODUCT TYPE	PRODUCTS
N/A	N/A	N/A	N/A	New	Promote Sunnyvale as a Destination	Promotional Piece Completed	12
FISCAL IMPACT							
TOTAL SDP COSTS – CURRENT		\$274,953		TOTAL SDP COSTS – PROPOSED		\$309,953	

**ACTIVITY DETAIL
COST, HOURS AND PRODUCTS**

SERVICE DELIVERY PLAN 247-02

PERSONNEL

ACTIVITY #	JOB CODE	CLASSIFICATION	WORK HOURS	PRODUCTS	COSTS
NEW	1250	Administrative Analyst	20.00	24	\$1,141
TOTALS			20.00	24	\$1,141

PURCHASED GOODS AND SERVICES

ACTIVITY #	OBJECT LEVEL	OBJECT NAME	COSTS
NEW	5040	Advertising Services	\$33,859
TOTAL			\$33,859

GRAND TOTAL	\$35,000
-------------	-----------------